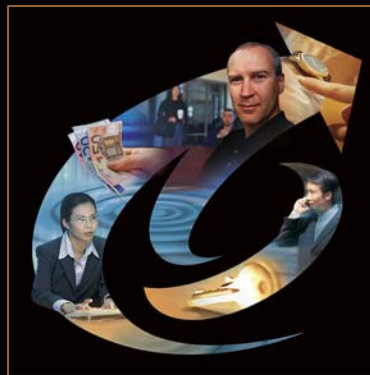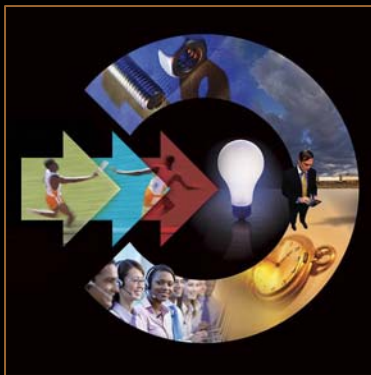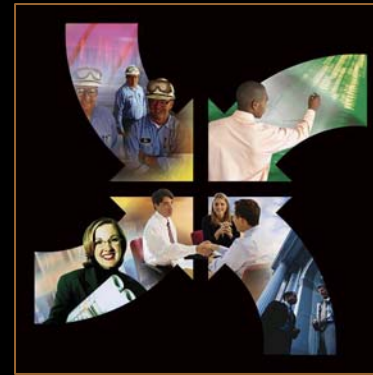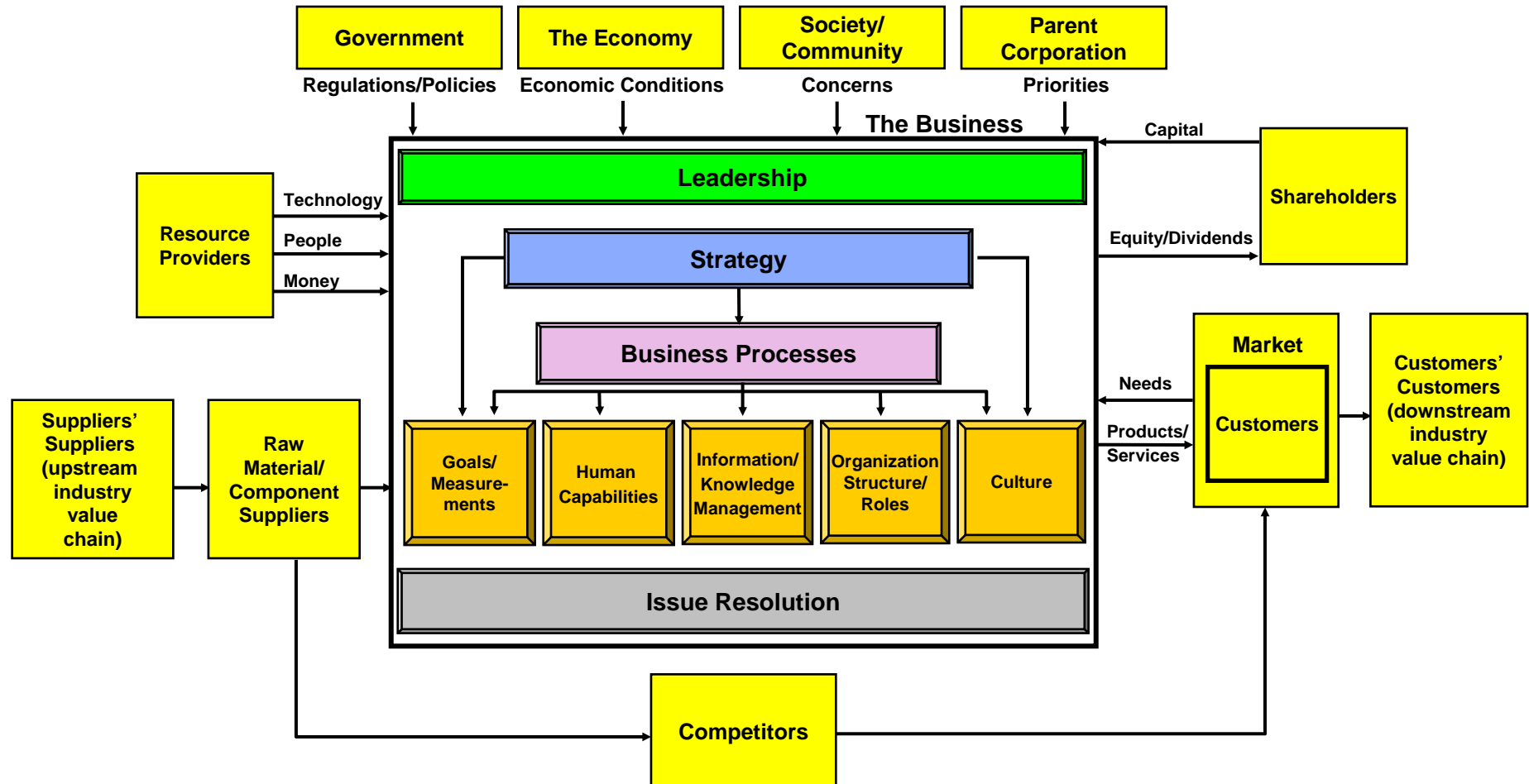# Turning Strategic Initiatives into Blockbuster Results

Alan Brache

Enterprise Model: Where Does Strategy Fit?

KT

Government — Regulations/Policies

The Economy — Economic Conditions

Society/Community — Concerns

Parent Corporation — Priorities

The Business

Capital

Leadership

Shareholders

Resource Providers — Technology / People / Money

Strategy

Equity/Dividends

Business Processes

Suppliers' Suppliers (upstream industry value chain)

Raw Material/Component Suppliers

Goals/Measurements | Human Capabilities | Information/Knowledge Management | Organization Structure/Roles | Culture

Market — Customers

Needs

Products/Services

Customers' Customers (downstream industry value chain)

Issue Resolution

Competitors

Strategy: The framework of choices that define the nature and direction of an organization

The three legs of the strategy stool:

- **Products/services:** What will we offer?
- **Markets/customers:** To whom will we offer our products/services?
- **Competitive advantages:** Why will customers buy products/services from us rather than from others?

Additional strategic questions:

- What emphasis will we place on our products and markets?
- Where will our future business come from?
- What capabilities do we need to have in place?
- What financial and non-financial metrics will be on our strategic dashboard?

Products   Markets

Competitive
Advantages

What is Strategy?
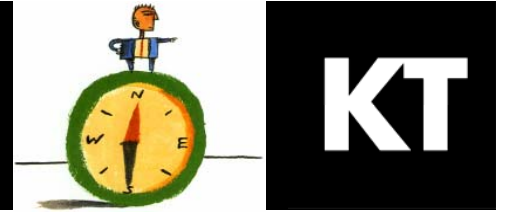
These questions are the same for:

- Large corporations
- Units within large corporations
- Small businesses
- Government agencies

Products   Markets

Competitive Advantages

☞ **Does your organization have a robust, specific, current, compelling strategy?**

Strategy Implementation: The Other Side of the Coin

My experience:

- Most strategy failure is not due to poor strategic decisions, but weakness in implementing the decisions
- Many strong strategies are not guiding behavior and paving the road to success because they have not been effectively and efficiently executed

Research:

Over 70% of initiatives:

- Fail to achieve their objectives and/or
- Fail to stay within their budgets and/or
- Fail to meet their deadlines

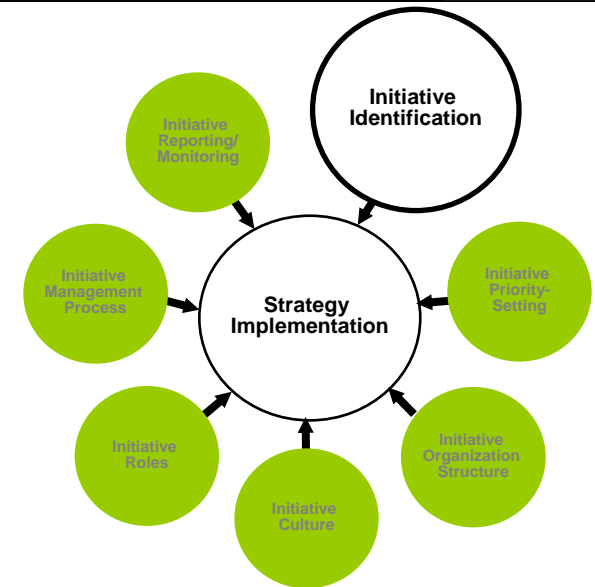☞ **What is the % in your organization?**

1. Failure to launch the full **range of initiatives** required to implement the strategy (key actions not taken)

2. Failure to launch a manageable **number of initiatives** (take on too much)

3. Failure to install a **structure** that supports initiatives (difficult to work through existing boxes on the organization chart)

4. Failure to establish a **culture** that supports initiatives (punishing to champion or work on initiatives)

5. Failure to involve the right **people** in the right ways (missing/misunderstood/inappropriate roles)

6. Failure to use a robust, practical common **language/process** for initiative management (no process/cumbersome process/different processes)

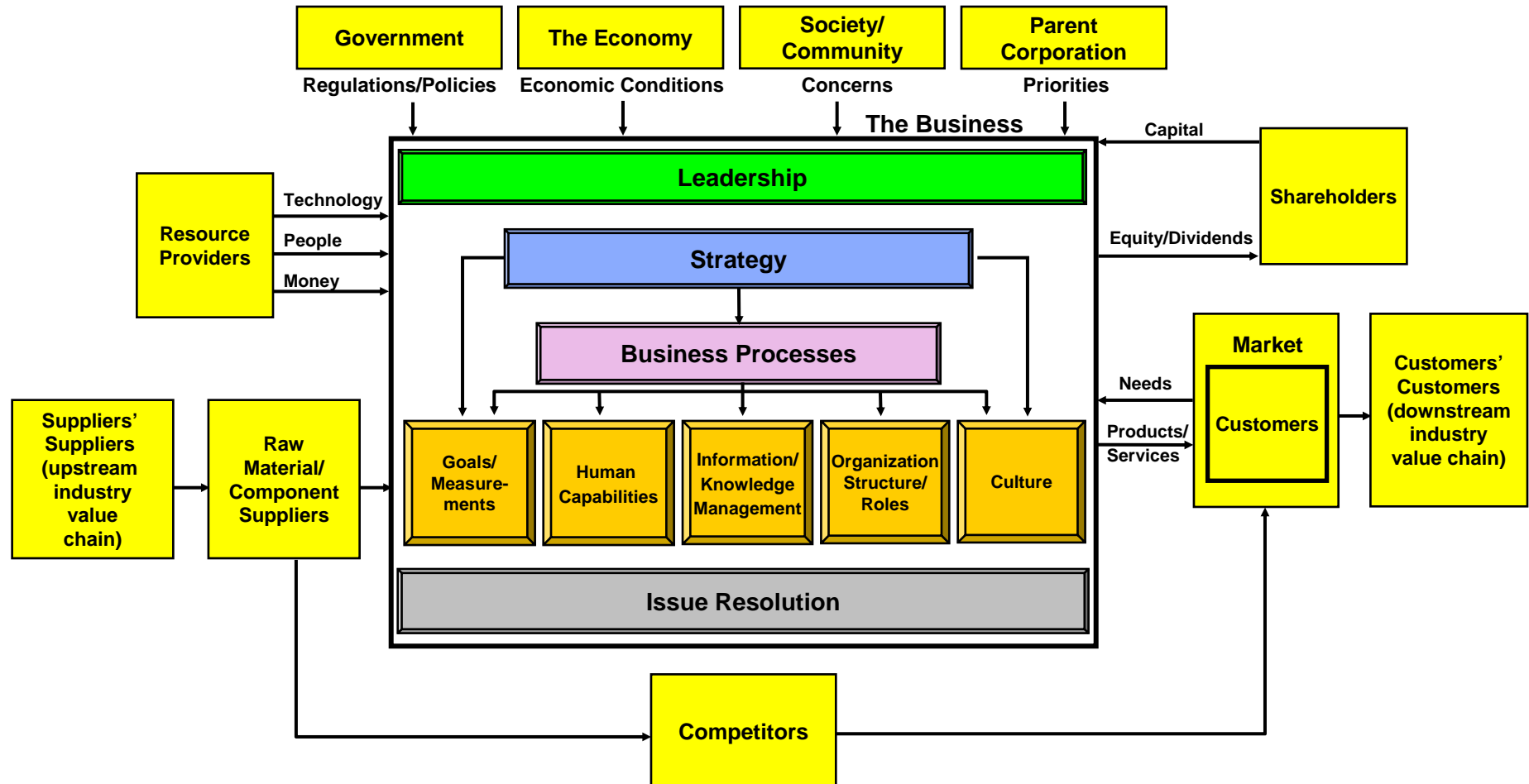7. Failure to install an effective, efficient **reporting and monitoring system** (stakeholders do not have their fingers on the pulse of initiatives)

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1. Answer the strategic questions

2. Define the waterfront of areas that have to be addressed to implement the strategy

3. Don't worry—yet—about your initiative capacity or about timing

Enterprise Model: The Sources of Strategy Initiatives

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Government — Regulations/Policies

The Economy — Economic Conditions

Society/ Community — Concerns

Parent Corporation — Priorities

The Business

Capital

Leadership

Shareholders

Strategy

Equity/Dividends

Business Processes

Technology
People
Money

Resource Providers

Goals/ Measure-ments

Human Capabilities

Information/ Knowledge Management

Organization Structure/ Roles

Culture

Market

Needs

Customers

Products/ Services

Customers' Customers (downstream industry value chain)

Suppliers' Suppliers (upstream industry value chain)

Raw Material/ Component Suppliers

Issue Resolution

Competitors

1. Establish initiative priority-setting criteria

2. Determine initiative capacity

3. Gather and organize information on initiatives currently underway/planned/ proposed: number, type, resource consumption

4. Use criteria (Step 1) as the basis for setting initiative priorities

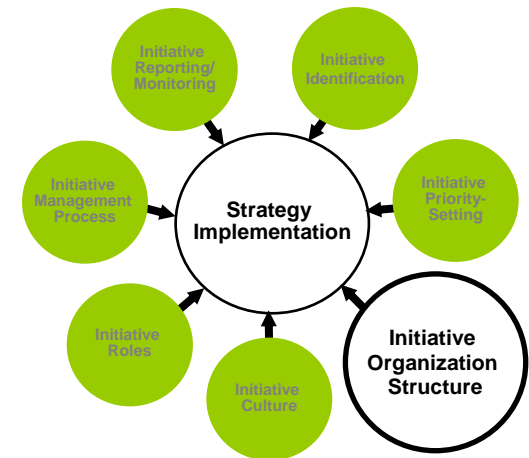5. Establish an ongoing initiative portfolio management process

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☞ **Does your organization know its "initiative capacity" (how much you can take on without compromising your basic mission)?**

☞ **What are the strengths and weaknesses of the way in which your organization:**

   1. **Identifies strategic initiatives?**
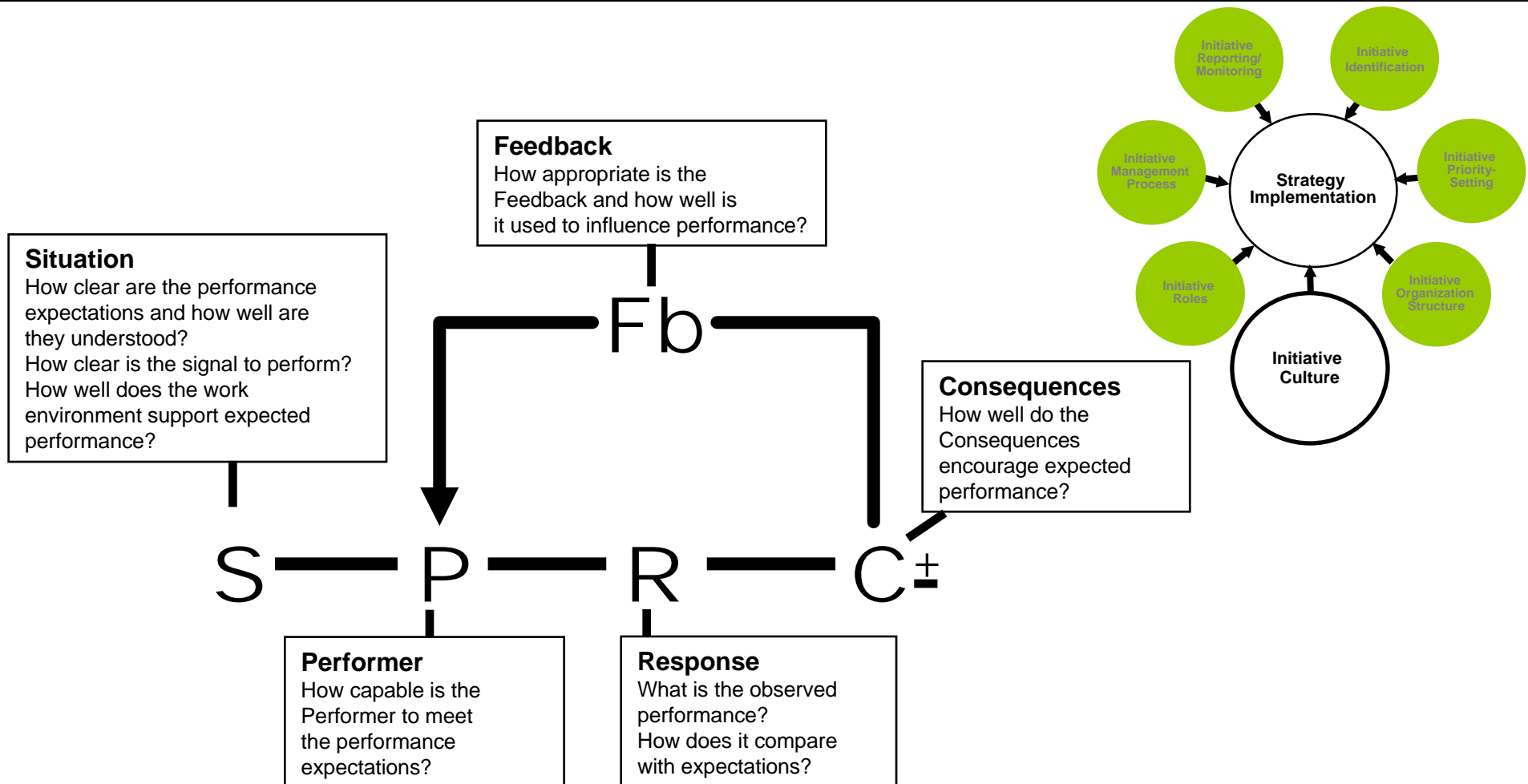   2. **Sets priority on strategic initiatives?**

Structure Questions

- Should we have a central "mission control" (a "project office")?
- Should our project managers be full- or part-time?
- Should our team members be full- or part-time?
- Should project managers and team members be matrixed to project and line functions?

→ There is no omnibus "right" structure (Sorry…)

→ The structure should emerge from a rigorous decision-making process (Establish criteria → Generate a full range of alternatives → Assess strengths/weaknesses of alternatives → Evaluate risks)

☞ **Does your structure support first-class initiative deployment?**

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Feedback
How appropriate is the Feedback and how well is it used to influence performance?

Situation
How clear are the performance expectations and how well are they understood?
How clear is the signal to perform?
How well does the work environment support expected performance?

Consequences
How well do the Consequences encourage expected performance?

Fb

S — P — R — C±

Performer
How capable is the Performer to meet the performance expectations?

Response
What is the observed performance?
How does it compare with expectations?

Initiative Reporting/ Monitoring

Initiative Identification

Initiative Management Process

Strategy Implementation

Initiative Priority- Setting

Initiative Roles

Initiative Organization Structure

Initiative Culture

☞ **Do your norms, practices, relationships, values, and beliefs support first-class initiative deployment?**

- Team Owner: Program Director

- Team General Manager: Initiative Sponsor

- Team Board of Directors: Initiative Steering Team

- Team Coach: Initiative (Project) Manager

- Players: Initiative Team

- Fans: Target Population

- Team Advisors: Initiative Facilitators

- Software
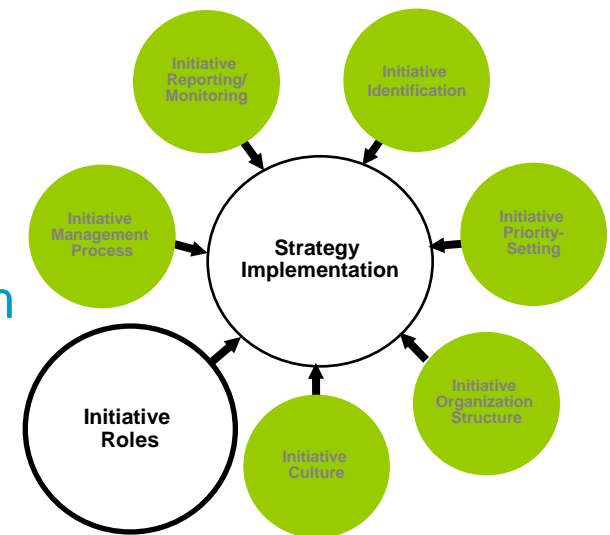
☞ **Are each of these roles effectively played in your initiatives?**

- Organizations need a common language for initiative management

- The process has to fit the organization's initiative complexity, initiative management maturity, and culture

- The process should include:
  - Initiation
  - Definition
  - Planning
  - Execution
  - Close-out
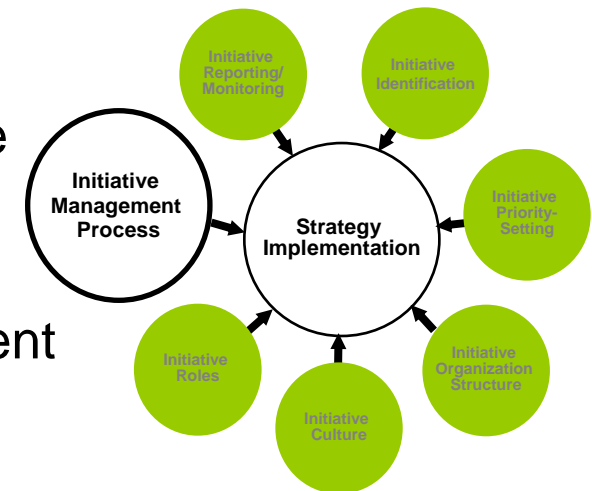
☞ **Do you have a robust common process for initiative management?**

Characteristics of effective, efficient reporting/monitoring:

- The truth
- Right level of detail
- Right frequency
- Basis for decision making (e.g., mid-course corrections)
- Include:
  - All three dimensions of initiative performance
    - Quality
    - Cost
    - Schedule
  - Issues
    - Problems: current and potential
    - Opportunities: current and potential

☞ **Do your top team members—and other stakeholders—get the initiative information they need, when they need it, in a digestible format?**

Initiative Reporting/Monitoring

Initiative Identification

Initiative Management Process

Strategy Implementation

Initiative Priority-Setting

Initiative Roles

Initiative Culture

Initiative Organization Structure

- The effectiveness and efficiency of strategy implementation is a function of:
  - The quality of the strategy
  - The range and nature of initiatives
  - The investment and scheduling of initiatives (based on priority)
  - The structure, culture, roles, process, and monitoring that support initiatives

Case Study 1: Defense Contractor

- US$700 million armament business unit

- Had done financial projections and business plans, but never a strategy as defined here

- Strategy team included director-level "visionaries" and did not include all VPs

- Major decisions during strategy formulation:
  - Exit commercial business
  - Exit international business
  - Explore new line of business
  - Invest heavily in previously small businesses

- Established a strategy implementation infrastructure
  - Full-time Strategy Implementation Officer (a strategy "project office")
  - Financials and other metrics (Balanced Scorecard) reported/tracked in strategy framework
  - Regular top-team strategy reviews/updates
  - Basic Beliefs program to address culture issues
  - Trained all levels in common initiative (project) management process

Results:

- Record sales and profit growth

- Deemed a "star" business unit within the corporation

- Unequalled reputation in the military marketplace

- Through diversification of product line, positioned well for:

  - Post-war market
  - Terror-focused conflict

- US$2.2 billion family dining chain with 500+ restaurants in the U.S.
- Unique combination of dining and retail
- No history of strategic planning. Individuals just worked hard doing what they thought was right
- No plan for dealing with changes in demographics, economic conditions, and forms of competition
- Developed and implemented a strategy that focused on specific meal times, high-value menu items, and customers that represented the greatest future opportunity
- Better understood their competitive advantages and built plans to capitalize on them
- For the first time:
  - The top team met regularly to formally set initiative priorities ("add one/delete one" mindset rather than "let's add another to the plate")
  - Project management was understood as a high-value role/discipline and individuals to play this role were carefully selected and trained

Results:

- Solid sales and profits in a tough market (travel cut-backs, strong new competitors, lifestyle changes)
- Increased traffic
- Increased average check size
- In each of the last three years, named "#1 family dining restaurant of the year" by primary restaurant magazine
- Smooth openings of 20 new restaurants/year
- For the first time, a shared vision among the top team
- For the first time, a strategy that guided decisions at lower levels
- Focused product and market investments rather than throwing money at many uncoordinated opportunities
- Made a strong brand even stronger

- US$40 million privately-held manufacturer of connectors and related plumbing products
- Goals:
  - Grow from a "mom-and-pop" business to a mature, substantial player in their niche
  - Reduce reliance on their legacy product line, which was becoming a commodity
  - Beat Asian competitors that had significant cost advantages
- Established a strategy that:
  - Broadened the scope of their products and markets
  - Defined specific targets
  - Modified the competitive advantages that would fuel their growth
- Implemented their strategy through a rigorous application of initiative management
  - Installed "Optimal Project Portfolio" process, based on capacity and priority
  - Established an ongoing strategy monitoring/updating process
  - Trained all project managers (in detail) and executives (in less detail) in project management process/roles/tools
  - Established a Project Office and staffed it with a high-potential manager

Results:

- Surpassed their ambitious growth targets in a highly competitive market

- Substantially reduced costs, making them competitive with Asian competitors

- Significantly improved their product development process (particularly front-end "ideation")

- Installed a formal talent management process

- Successfully made their first acquisition, which brought them products that filled out their line and entry to two new markets

- Replaced executives that did not fit the new vision, which "breathed new life" into the company

- So healthy financially and strategically that they became an attractive acquisition target themselves (not a goal) and were subsequently bought at an impressive multiple by a multi-billion $ global player

- Privately-held €375 million Africa-based importing holding company with subsidiaries in engine parts, soft drinks, dairy products, wheat, earth-moving equipment, and apartment buildings

- Due to wind-down of 20-year civil war, evidence that the trade barriers imposed by advanced nations would be eliminated

- Goals:

  - In the post-embargo environment, become the "partner of choice" for foreign investment in their country

  - Lay the groundwork for transition to the next generation of ownership

- Established a strategy for the corporation and strategies for the subsidiary companies

- Implemented a comprehensive strategy implementation "change program" that embodied the seven success factors we've discussed

Results:

- Exceeded three-year target by growing revenue from €375M to €640M

- Established a "Western-style" governance structure and business discipline (e.g., financial controls, human resource management practices) that was attractive to outside investors

- Were able to thrive in spite of resumption of armed conflict because their new structure was attractive to China which, unlike Western countries, did not participate in the embargo

- Orderly transfer of the company to the third generation of family owners/executives

- 100-year old, stuffy, England-based chain of 10 high-end hotels focused on "old money" customers
- Had just emerged from a lengthy hostile takeover bid, which they successfully resisted
- Introspection during the bid war led to top team's conclusion that the organization would thrive only if it radically changed
- Goals:
  - Grow profits
  - Focus investment
  - Become oriented around the needs future customers, not the legacy customers who were dying off
- For the first time, focused as much on strategy implementation as on strategy formulation:
  - Roles (especially executive sponsorship)
  - Culture
  - Reporting

Results:

- Focus: Successfully sold non-core businesses (laundry, printing, wine, bed manufacturing, car rental, and property management)

- Focus: Successfully sold hotels outside of the UK

- Invested proceed of sales in hotel modernization, centered on the needs of the younger business traveler

- Substantially transformed the culture

- In spite of smaller size, grew annual profits tenfold (£4 million to £40 million) during four years of strategy implementation

Diagram: Seven initiative variables surrounding "Strategy Implementation":
- Initiative Reporting/ Monitoring
- Initiative Identification
- Initiative Priority Setting
- Initiative Organization Structure
- Initiative Culture
- Initiative Roles
- Initiative Management Process

☞ **Based on your assessment of the seven variables, where are the greatest needs/opportunities for improvement in your organization's strategy implementation?**

☞ **What will you do <u>this month</u> to address those needs or surface them to people in a position to address them?**

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What questions do you have?

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